

MINUTES

BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, IN 46204

January 12, 2001

Trustees Present

Richard Doermer, Chair
Nancy Turner, Vice Chair
Jonathan Birge
Teresa Ghilarducci
Steven Miller

Others Present

Mary Beth Braitman, Ice Miller
Eric Swank, Ice Miller
Pete Keliuotis, Wm. M. Mercer Investment Consulting
Amy Walls, Wm. M. Mercer Investment Consulting
Richard Boggs, Burnley Associates
Steffanie Rhinesmith, Indiana Development Finance Authority
Karen Franklin, National City Bank
Jodie Woods, Indiana Association of Cities & Towns
Matt Brase, Indiana Association of Cities & Towns
Don Hilt, PERF Retiree
E. William Butler, PERF Executive Director
Diann Clift, PERF MIS Director
William Hutchinson, PERF Division Director, Pension Administration
Linda Stahl, Recording Secretary

ITEMS MAILED TO THE BOARD PRIOR TO MEETING

- A. Agenda of January 12, 2001 Meeting
- B. Minutes:
 - November 30 & December 1, 2000 Board Meeting
- C. Proposed Schedule – 2001 Board Meetings

A quorum being present, the meeting was called to order.

1. MINUTES APPROVAL

MOTION duly made and carried to approve the Minutes of the November 30 and December 1, 2000 meeting of the Board of Trustees.

Proposed by: Steven Miller

Seconded by: Jonathan Birge

Votes: 5 for, 0 against, 0 abstentions

2. BOARD DISCLOSURES

Richard Doermer – Bank One stock ownership

3. SCHEDULE OF 2001 MEETINGS

Following discussion, the following schedule was established for year 2001 meetings of the Board of Trustees:

Month	Day
February	9
March	9
April	20
May	18
June	15
July	13
August	10
September	21
October	12
November	9
December	14

4. ADMINISTRATIVE

Executive Director's Report

Mr. Butler distributed for Board review information relative to professional development opportunities. Trustees were encouraged to contact PERF concerning any of those opportunities in which they might be interested.

SIRIS Update

Diann Clift reported that Phase 1 of the SIRIS project was scheduled for rollout the first of January. However, after accessing the progress of work needed to do so, the Steering Committee and project managers determined that the January first date was not feasible. Therefore, that date has now been reestablished for January 31. Four areas of risk are being monitored. Those include earnings postings, data conversion, the testing process, and the general ledger area. Daily progress reports on the resolution of these matters are being provided to both the

PERF/TRF Executive Directors. There will be no additional cost to the Funds if the system is brought online by January 31. However, the next opportunity to go online would be February 28, and there would be a shared cost for an additional project delay. That share might be as much as \$100,000. To date, the project is under budget by \$500,000, so it would not be an added expense to the project to absorb that cost.

Backfile conversion has begun with the first shipment of documents on January 9. Staff will be able to start viewing documents online within the next couple of weeks. The project should be completed within the next 9-10 months.

Chief Investment Officer

Mr. Butler noted that PERF continues to pursue filling the Chief Investment Officer position. To that end, some meetings have been scheduled for the very near future. Hopefully, that position will be filled by the end of January.

Contracts

Board action was requested on a number of PERF contracts which expired December 31, 2000 as follows:

Contractor	Services	Action	Changes to Terms
Burnley Associates	Investment Consulting	Renew through 12/31/02	
Conseco Capital Mgmt.	Investment Management	Renew through 12/31/02	
Ice Miller	Legal Services	Renew through 12/31/02 Amend through 12/31/00	Increase "not-to-exceed" clause and for renewal change description of scope of services
Omkar Markand, MD	1977 Fund Physician	Renew through 12/31/01	
McCready & Keene, Inc.	Actuarial Services	Renew through 12/31/02	Key persons now Doug Todd & Richard Lenar
Wm. M. Mercer	Investment Consulting	Renew through 12/31/02	
National City Bank	Custodial Services	Renew through 6/30/01	Add global custodial fee schedule, revise phrasing of sweep fee
National City Investment Mgmt.	Investment Management	Renew through 6/30/01	
Reams Asset Mgmt.	Investment Management	Renew through 12/31/02	Increase "not-to-exceed" clause due to additional assets under management

Following discussion,

MOTION duly made and carried to approve renewal of the aforementioned contracts and to authorize the Executive Director to sign off on those contracts.

Proposed by: Steven Miller

Seconded by: Nancy Turner

Votes: 5 for, 0 against, 0 abstentions

Internal Audit

PricewaterhouseCoopers is tentatively scheduled to resume the internal audit project in March and pick up with the second project, which is contributions reporting. The draft of the report of the first project (retirement benefits calculations) is currently being edited.

Legislation

Mary Beth Braitman reported that all the Pension Management Oversight Commission bills, which include some administrative matters, will probably get a hearing within the next week or two. There are a number of bills to increase benefits, but the cost of implementing those bills will in all likelihood kill them. There are some odds and ends bills, one of which would allow local subdivisions to create their own plans outside of PERF and outside the 457 plan arena. There is also a bill that would require both PERF/TRF to expand the offerings under the annuity savings account to offer two more options, both of which would be sponsored by outside insurance companies.

Mr. Butler also noted that there has been a bill introduced that would create the Indiana Investment Corporation, the purpose of which would be to render alternative investment services to PERF/TRF. The terms of the bill provide that this company would be the sole and exclusive gatekeeper for alternative investments for both Funds.

5. INVESTMENTS

Committee Report

Mr. Miller noted that Committee previously met to discuss Request for Proposal (RFP) responses for international managers as follows:

January 2 – Passive and Enhanced
January 8 – Active

At the January 2 meeting, the following passive/enhanced managers were selected for interview:

Passive

Mellon Capital Management Corporation
State Street Global Advisors

Enhanced

Baring Asset Management
Fidelity Management Trust Company
Goldman Sachs Asset Management

Interviews were then conducted on January 9. Following Board discussion of those interviews and based upon the Investment Committee's recommendation,

MOTION duly made and carried that the firms of State Street Global Investors and Fidelity Management Trust Company be retained to manage a passive and enhanced index portfolio respectively and that each be given an amount of \$250 Million. The source of those funds will be the S&P 500 Index Fund.

Proposed by: Steven Miller

Seconded by: Jonathan Birge

Votes 5 for, 0 against, 0 abstentions

At the Committee's January 8 meeting, the following active managers were selected for interview:

American Express Asset Management
Bank of Ireland Asset Management
Capital Guardian Trust Company
Dresdner RCM Global Investors
GE Investments
Lombard Odier
Oechsle International Advisors
Putnam Investments

Those interviews will be conducted on February 15, 2001.

Mr. Miller noted further that an RFP for domestic enhanced index and active large cap managers had been issued. The deadline for submission of those responses is Monday, January 15. Mercer will have a list of semi-finalists by the end of January with a report compiled by the end of February. Hopefully, the Investment Committee will be able to make candidate selections early in March.

6. NEXT MEETING

The next meeting of the Board will be conducted on February 9, 2001.